

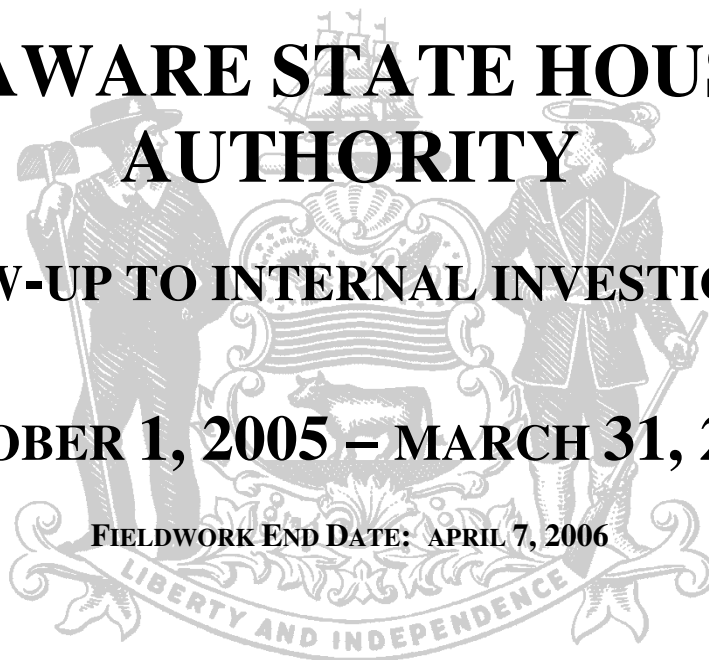
STATE OF DELAWARE
OFFICE OF
AUDITOR OF ACCOUNTS

**DELAWARE STATE HOUSING
AUTHORITY**

FOLLOW-UP TO INTERNAL INVESTIGATION

OCTOBER 1, 2005 – MARCH 31, 2006

FIELDWORK END DATE: APRIL 7, 2006



R. THOMAS WAGNER, JR., CGFM, CFE
AUDITOR OF ACCOUNTS

Townsend Building, Suite 1
401 Federal Street
Dover, DE 19901
TELEPHONE (302) 739-4241
FACSIMILE (302) 739-2723
www.state.de.us/auditor/index.htm

EXECUTIVE SUMMARY

BACKGROUND

During May 2002, the Delaware State Housing Authority (DSHA) conducted an internal investigation concerning a theft by a DSHA employee. DSHA reported the results of the investigation in a letter addressed to the Office of Auditor of Accounts (AOA) dated May 30, 2002.

DSHA concluded that the total theft of funds was \$12,222.18 and directly attributable to a DSHA employee in the position of Housing Manager II (the defendant). The majority of the theft occurred from November 1, 2001 through April 30, 2002. DSHA noted the following issues that contributed to the theft:

- Ten of 23 tenants were not entered and/or not entered correctly upon move-in.
- Billing statements provided to tenants were altered.
- Payments were not entered into the accounting system.
- The normal process of providing computerized receipts to tenants was not consistently followed.
- Contrary to established DSHA policy, cash was accepted as payment.
- Housing Management Specialists reviewed monthly tenant account receivable balance sheets; however, greater emphasis should have been placed on vacant units.

The defendant pled guilty and agreed to repay the \$12,222.18 plus approximately \$150 in court fees.

AOA completed a follow-up engagement to determine if DSHA management adequately responded to the aforementioned issues.

CONCLUSIONS

Tenant Move-Ins

- Move-in dates coincided with dates entered into the DSHA Public Housing System.

Tenant Billing Statements

- Billing statements were mailed by the DSHA accounting office rather than hand-delivered.

Tenant Payments

- DSHA contracted with Commerce Bank to provide lockbox services. This eliminated the need for the Housing Managers to handle checks. Per review of billing statements and payments received, AOA verified that tenant sent payments directly to the lockbox. Tenant payments matched amounts entered into the DSHA Public Housing System.

Permanent Office Signs and Receipt Books

- DSHA purchased permanent office signs that state that no cash is accepted. DSHA purchased customized receipt books that state that no cash is accepted. Per review of payments received, AOA determined that DSHA did not accept cash payments from tenants. DSHA maintained adequate documentation to support payments received from tenants (i.e. bank deposit slips, receipts, etc.).

EXECUTIVE SUMMARY

Tenant Account Receivable Balance Sheets and Process for Identifying Vacant Units:

- Copies of monthly tenant account receivable balance sheets are provided to the Housing Managers and Housing Management Specialist at each site for review. If problems arise, the Housing personnel contact the accounting section. The housing sites use the Scheduled Move-Out and Summary Unit Vacancy Analysis Reports to track vacant units. The Housing Managers' turnover time for vacant units is expected to be completed within 15 calendar days. If a unit is not turned over within the allotted time, the reason is documented and submitted as a component of the Summary Unit Vacancy Report.

DSHA Repayment Agreement and Restitution:

- The October 28, 2003 court judgment total was \$12,373.00, which included court fees. The defendant was ordered to pay \$50 per month until full payment is made. The court enforces the repayment agreement. DSHA has received \$750 to date.

DSHA has appropriately responded to the issues identified in the internal investigation.

TABLE OF CONTENTS

Audit Authority	1
Background	2
Objective, Scope, and Methodology	3
Status of May 2002 Issues	4
Distribution of Report	5

AUDIT AUTHORITY

Title 29, Del. C., c. 29 authorizes the Auditor of Accounts to file written reports containing:

1. Whether all expenditures have been for the purpose authorized in the appropriations;
2. Whether all receipts have been accounted for and paid into the State Treasury as required by law;
3. All illegal unbusinesslike practices;
4. Recommendations for greater simplicity, accuracy, efficiency and economy; and
5. Such data, information and recommendations as the Auditor of Accounts may deem advisable and necessary.

BACKGROUND

During May 2002, the Delaware State Housing Authority (DSHA) conducted an internal investigation into a matter concerning an internal theft by a DSHA employee. DSHA reported the results of the investigation in a letter addressed to the Office of Auditor of Accounts (AOA) dated May 30, 2002.

DSHA concluded that the total theft of funds was \$12,222.18 and directly attributable to a DSHA employee in the position of Housing Manager II (the defendant). The majority of the theft occurred from November 1, 2001 through April 30, 2002. DSHA noted the following issues that contributed to the theft:

- Ten of 23 tenants were not entered and/or not entered correctly upon move-in.
- Billing statements provided to tenants were altered.
- Payments were not entered into the accounting system.
- The normal process of providing computerized receipts to tenants was not consistently followed.
- Contrary to established DSHA policy, cash was accepted as payment.
- Housing Management Specialists reviewed monthly tenant account receivable balance sheets; however, greater emphasis should have been placed on vacant units.

The defendant pled guilty and agreed to repay the \$12,222.18 plus approximately \$150 in court fees.

AOA completed a follow-up engagement to determine if DSHA management adequately responded to the aforementioned issues.

OBJECTIVE, SCOPE, AND METHODOLOGY

OBJECTIVE

The objective of the engagement was to identify and evaluate the adequacy of DSHA management actions in response to the internal investigation conducted by DSHA during May 2002.

SCOPE

The scope of the engagement, a non-audit service, was limited to a follow-up of the internal investigation conducted by DSHA during May 2002. The engagement consisted of reviewing DSHA's internal control policies and documentation related to the tenant receivable process for the period of October 1, 2005 through March 31, 2006.

METHODOLOGY

AOA developed procedures to address the aforementioned objective. Procedures consisted of interviews and inquiry of key personnel; inspection and confirmation of documentation; and observation.

STATUS OF MAY 2002 ISSUES

The following table summarizes issues noted by DSHA as a result of their internal investigation and AOA's comments per the follow-up procedures conducted.

Issue per internal investigation performed by DSHA	Status per AOA's Follow-Up Procedures
Ten of 23 tenants were not entered and/or not entered correctly upon move-in.	Move-in dates coincided with dates entered into the DSHA Public Housing System.
Billing statements provided to tenants were altered.	Billing statements were mailed by the DSHA accounting office rather than hand-delivered. This reduces the opportunity for alterations.
Payments were not entered into the accounting system, or were untimely entered.	DSHA contracted with Commerce Bank to provide lockbox services. This eliminated the need for the Housing Managers to handle checks. Per review of billing statements and payments received, AOA verified that tenant sent payments directly to the lockbox. Tenant payments matched amounts entered into the DSHA Public Housing System.
The normal process of providing computerized receipts to tenants was not consistently followed. Contrary to established DSHA policy, cash was accepted as payment.	DSHA purchased permanent office signs that state that no cash is accepted. DSHA purchased customized receipt books that state that no cash is accepted. Per review of payments received, AOA determined that DSHA did not accept cash payments from tenants. DSHA maintained adequate documentation to support payments received from tenants (i.e. bank deposit slips, receipts, etc.).
Housing Management Specialists reviewed monthly tenant account receivable balance sheets; however, greater emphasis should have been placed on vacant units.	Copies of monthly tenant account receivable balance sheets are provided to the Housing Managers and Housing Management Specialist at each site for review. If problems arise, the Housing personnel contact the accounting section. The housing sites use the Scheduled Move-Out and Summary Unit Vacancy Analysis Reports to track vacant units. The Housing Managers' turnover time for vacant units is expected to be completed within 15 calendar days. If a unit is not turned over within the allotted time, the reason is documented and submitted as a component of the Summary Unit Vacancy Report.
The defendant pled guilty and agreed to repay the \$12,222.18 plus approximately \$150 in court fees.	The October 28, 2003 court judgment total was \$12,373.00, which included court fees. The defendant was ordered to pay \$50 per month until full payment is made. The court enforces the repayment agreement. DSHA has received \$750 to date.

DSHA appropriately responded to the issues identified in the internal investigation.

DISTRIBUTION OF REPORT

Copies of this report have been distributed to the following public officials:

Executive Branch

The Honorable Ruth Ann Minner, Governor, State of Delaware

Legislative Branch

The Honorable Russell T. Larson, Controller General, Office of the Controller General

Other Elective Offices

The Honorable Carl C. Danberg, Attorney General, Office of the Attorney General

Delaware State Housing Authority

Ms. Sandra Ross Johnson, Director

Ms. Catherine M. Gregory, Deputy Director

Mr. Douglas S. Croft, Assistant Director, Financial Management